

# LEGISLATIVE AUDIT COMMISSION



Review of  
Office of the State Fire Marshal  
Two Years Ended June 30, 2004

622 Stratton Office Building  
Springfield, Illinois 62706  
217/782-7097

**REVIEW: 4223**  
**OFFICE OF THE STATE FIRE MARSHAL**  
**TWO YEARS ENDED JUNE 30, 2004**

**FINDINGS/RECOMMENDATIONS - 9**

**ACCEPTED - 5**  
**IMPLEMENTED - 4**

**REPEATED RECOMMENDATIONS - 5**

**PRIOR AUDIT FINDINGS/RECOMMENDATIONS - 8**

This review summarizes the auditors' report of the Office of the State Fire Marshal for the two years ended June 30, 2004, filed with the Legislative Audit Commission on March 31, 2005. The auditors performed a compliance examination in accordance with *Government Auditing Standards* and State law.

The Office of the State Fire Marshal was created by the State Fire Marshal Act effective July 21, 1977. The Office is located in Springfield, with additional offices in Chicago and Marion, Illinois. The primary function of the Office is public safety. The Office's mission statement is to reduce death, injury, and property loss of Illinois citizens from fires, explosions, and other hazards. The Office is organized into the following divisions: Arson Investigation, Fire Prevention, Boiler and Pressure Vessel Safety, Petroleum and Chemical Safety, Personnel Standards & Education, Elevator Safety, and Management Services.

During the examination period, Mr. Ernest Russell served as State Fire Marshal from July 1, 2002 through July 16, 2002. Mr. Peter F. Viña served in the position from July 17, 2003 through April 11, 2004. Mr. J.T. Somer was appointed State Fire Marshal on April 12, 2004 and continues in that position. Prior to becoming the State Fire Marshal, Mr. Somer served on the Fire Fighter Medal of Honor Committee, the Illinois Fire Advisory Committee, and the Fire Truck Revolving Loan Rules Committee at the Office of the State Fire Marshal. Mr. Somer also served as Fire Chief in Salem, IL.

Appendix A summarizes certain activities of the Office of the State Fire Marshal. According to the audit report the Office of the State Fire Marshal performed 13,545 fire prevention inspections on buildings, and a total of 44,110 State and insurance boiler and pressure vessel safety inspections. The Office conducted 1,064 arson investigations and inspected 3,122 underground storage tanks in FY04. Inspection of each tank and associated piping is required upon installation or removal. The Office also reimbursed local fire departments for part of their training costs.

**REVIEW: 4223**

The average number of full-time equivalent employees is presented below:

<i><b>Division</b></i>	<i><b>FY04</b></i>	<i><b>FY03</b></i>	<i><b>FY02</b></i>
Arson Investigation	19	19	21
Fire Prevention	27	31	39
Boiler & Pressure Vessel Safety	18	19	21
Petroleum & Chemical Safety/Storage Tanks	23	27	30
Personnel Standards & Education	11	10	8
Management Services	25	27	30
Department of Corrections	1	0	0
<b><i>TOTAL</i></b>	<b>124</b>	<b>133</b>	<b>149</b>

**Expenditures From Appropriations**

Appendix B presents a summary of appropriations and expenditures for the two-year period under review. The General Assembly appropriated a total of \$16,288,779 to the Office of the State Fire Marshal in FY04: approximately \$12.9 million from the Fire Prevention Fund; almost \$3 million from the Underground Storage Tank Fund; and \$376,000 from other funds. Total expenditures from all funds decreased from \$17,493,350 in FY03, to \$13,239,832 in FY04, a decrease of \$4,253,518, or 24.3%. Expenditures decreased in almost every line due to several factors: 4% of employee retirement now paid by employees instead of the State; imposed spending reserves and spending controls during FY04; and the end of several programs such as the Leaking Underground Storage Program, the Life Safety Code Inspection Program, and the Fire Protection Plan for Illinois Schools.

In FY04, no General Revenue Funds were appropriated or expended by the Office because operating expenses for arson investigators were no longer paid from GRF. In FY02 and FY03, a portion of GRF funds were earmarked for homeland security. In FY04, expenditures were no longer necessary for the purpose because further equipment purchases were no longer necessary, and the Office incurred no expenses for Homeland Security training.

Lapse period spending accounted for \$642,075, or 4.8% of all expenditures in FY04.

The Office paid out \$223,756 in efficiency initiative payments as follows:

- \$119,055 for Procurement Efficiency Initiatives was paid from the Fire Prevention Fund, Personal Services and Elevator Safety Lump Sum;
- \$46,317 for Information Technology Initiatives was paid from the Fire Prevention Fund, Personal Services; and
- \$58,384 for Vehicle Fleet Initiatives was paid from the Fire Prevention Fund, Personal Services and Equipment; and Underground Storage Tank Fund, Equipment.

## **REVIEW: 4223**

The paying for these efficiency initiatives from improper line item appropriations was the basis for recommendation one.

### **Cash Receipts**

The table appearing in Appendix C summarizes a comparative summary of cash receipts for the Office of the State Fire Marshal. Total cash receipts increased from \$2,910,922 in FY03 to \$3,708,589 in FY04.

Boiler fees were doubled per PA 93-032 and half of the fees collected were to be deposited into GRF during FY04. Permit fees increased for underground storage tank (UST) in FY04 due to PA 92-618. However, UST registration fees decreased in FY04 due to contractors now being able to file for multiple registrations under one fee.

### **Accounts Receivable**

Appearing in Appendix D is the aging of accounts receivable by fund. Recommendation nine in the audit report relates to problems in accounts receivable and inadequate collection of receivables. This finding has appeared since 1990.

### **Property and Equipment**

Appendix E is a summary of property and equipment changes at the Office of the State Fire Marshal during the period under review. The balance increased from \$3,504,262 as of July 1, 2002, to \$3,868,470 as of June 30, 2004. The Office purchased almost \$1 million in equipment, including vehicles, hi/lo band radios, data processing equipment and a homeland Security Command Center during FY03.

### **Accountants Findings and Recommendations**

Condensed below are the nine findings and recommendations included in the audit report. Five are repeated from prior audits. The following recommendations are classified on the basis of information provided by Madeline Gumble, Acting Fiscal Officer, Office of the State Fire Marshal, via email received July 6, 2005.

#### **Accepted or Implemented**

- 1. Only make payments for efficiency initiative billings from line item appropriations where savings would be anticipated to occur. Further, seek an explanation from the Department of Central Management Services as to how savings levels were calculated or otherwise arrived at, and how savings achieved or anticipated impact the Office's budget.**

**Accepted or Implemented – continued**

**Findings:** The Office made payments for efficiency initiative billings from improper line item appropriations. During FY04, the Office received three billings totaling \$223,756 from CMS for savings from efficiency initiatives. The Office did not receive guidance or documentation with the billings detailing from which line item appropriations savings were anticipated to occur. The auditors found that the Office made payments for these billings from line items that simply had available monies. Office officials questioned whether these “savings” amounts had already been deducted when developing its FY04 budget. GOMB correspondence to the Office indicated that while the cost allocations to agencies were not perfect, the agencies were asked to pay the amounts they were invoiced in total, even if the agency needs to shift the funds and object codes the amount is paid from.

**Response:** Accepted. The Office will work with Central Management Services and the Office of Management and Budget in order to comply with the recommendations. The Office also understands that the 2% transfer can be used to pay for the efficiency initiative in case a line item is out of funds.

**Updated Response:** Implemented. The OSFM has received two Efficiency Billings for FY05. The first one, billed in January 2005, for \$1,101.80, did have sufficient documentation to indicate the correct appropriation. The second one billed in May 2005, for \$175,905, is being paid out in partial payments, and only after sufficient documentation was provided by CMS in order to properly identify the correct appropriation code. The OSFM is ensuring that documentation as to calculation is also included in our records.

**2. Establish and enforce formal administrative controls over employees, which includes employee tracking, timekeeping, and spot checks of all employees.**

**Findings:** The Office did not have adequate controls over employees designated to work from their home office or the Office’s various locations. The Office had 129 employees with 63 field employees working from their homes or a field office. During the auditors’ review of internal controls, they noted the following:

- There was no method to determine that employees worked during reported hours;
- There was not sufficient timekeeping documentation for State employees;
- There was no method to track where employees should be at any point in time;
- Office personnel did not perform spot checks on employees;
- The Office did not appear to have adequate oversight over employees assigned to all locations; and
- There is an apparent lack of supervision over field employees.

**Response:** Accepted. The Office is reviewing its policies for purposes of implementing new procedures for field staff and new timesheets for office personnel to comply with the Ethics Act.

## REVIEW: 4223

**Updated Response:** Implemented. The OSFM now requires all staff to complete a weekly time sheet disclosing actual time worked & benefit time. Field staff also complete an itinerary each morning and a daily work report at days end detailing activities and mileage. All OSFM employee time is kept on the CMS timekeeping system (CTAS). The Division of Fire Prevention has been performing random customer service calls weekly during FY05, this will be expanded to other divisions in FY06.

3. **Develop standards to monitor vendors providing development and maintenance of applications. Include clear and thorough contract provisions specifying expected contract deliverables including the provision that adequate system, program, and user documentation be developed for all components under development. Continuously monitor compliance with contract provisions to ensure the contract is being adhered to, and to ensure system development is completed as specified. In addition, maintain documentation in these areas. (Repeated-2002)**

**Findings:** The Office had not established adequate controls over third party development/changes to applications. During fieldwork on the Boiler and Pressure Vessel accounts receivable applications and the Storage Tank Registration application, the auditors noted the following:

- Documentation did not exist regarding the development of the applications;
- Documentation did not exist relating to the data conversion of the Boiler and Pressure Vessel accounts receivable data. Additionally, there were inconsistencies of converted data.
- Documentation did not exist of changes made to the applications.

To assist in the accomplishment of their statutory mandates, the Office utilizes automated data processing systems. To assure quality control and achievement of objectives, good management practices would require that the Agency establish standards that would apply to all application system development or modifications to existing systems.

**Updated Response:** Accepted. No major application or system development activities have occurred since the audit finding. Our plan for the FY06 IT initiative, named PHOENIX, is compliant with this finding.

4. **Designate appropriate resources to reduce the backlog of inspections. (Repeated 2002)**

**Findings:** The Office had a high number of past due inspections of Boiler and Pressure Vessels. The Office is required by law to thoroughly inspect the construction, installation, condition and operation of boilers and pressure vessels in the State at periodic intervals ranging from annually to once every three years. The inspections can be performed by authorized insurance company officials or by trained inspectors.

## REVIEW: 4223

### Accepted - continued

Of the 38,726 boilers and pressure vessels required to be inspected, there was an inspection backlog of 17.2%, or 6,679, as of June 30, 2004. In addition, the percentage of past due inspections has been steadily increasing over the past several years. Furthermore, some of the required inspections are over two years past due.

Management indicated the rising percentage of past due inspections is due to a shortage of inspectors. The Office hired two inspectors during FY04 and plans to hire an additional inspector in FY05. The Office has 16 inspectors from 6/30/99 through 6/30/01; 15 inspectors at 6/30/02; 11 inspectors at 6/30/03; and 13 inspectors at 6/30/04.

**Response:** Accepted. The Office is in the process of hiring additional inspectors and has requested to fill all of its vacancies in the FY06 budget requires in order to comply with the recommendations.

**Updated Response:** Implemented. The backlog of boiler and pressure vessel inspections has decreased by 40% during the past 12 months. The pattern shows that the most seriously past due are being addressed more aggressively. (See chart below.) We hired 5 additional inspectors since March 2004, and we have posted 2 more positions for hire during FY06. Our current inspector HC is 16. Additionally, our inspectors will begin short-term mandatory OT period during July and August.

Past Due Boiler Inspections				
		<i>number days</i>		
	Total	1-90	91-180	>180
6/30/2004	11,725	5,042	2,435	4,248
6/27/2005	7,077	3,869	1,414	1,794
<b>change</b>	<b>-4,648</b>	<b>-1,173</b>	<b>-1,021</b>	<b>-</b>
<b>% change</b>	<b>40%</b>	<b>23%</b>	<b>42%</b>	<b>-58%</b>

### 5. Ensure the enforcement of the Elevator Installation Act. (Repeated-2002)

**Findings:** The Office did not enforce the Elevator Installation Act. The Act sets forth specific requirements for the installation and operation of all hospital elevators over 55 feet high, and elevators over 80 feet high in offices, hotels, factory buildings, and residential buildings. The Office estimates as many as 25,000 elevators in Illinois meet the criteria of the Act. The Act requires that its provisions be enforced by the State Fire Marshal.

Management stated the Office did not enforce the Act because it believes that the municipalities that issue construction permits already enforce the Act.

**Response:** Accepted. The Division of Elevator Safety will enforce the Act at such time as their administrative rules are approved by the Joint Committee of Administrative Rules and the inspection staff is hired.

**Updated Response:** The Office has not been able to enforce the Act because JCAR has not been able to adopt the rules. The next session will occur in the fall of 2005.

**6. Ensure that the Chief and Deputy Inspectors provide bonds in the appropriate amounts to comply with the statute. (Repeated-2002)**

**Findings:** The Chief and Deputy Inspector in the Boiler and Pressure Vessel Safety Division did not obtain bonds of \$5,000 and \$2,000, respectively.

**Response:** Accepted. The Office will seek legislative remedy in order to repeal section 430 ILCS 75/154 of the Boiler Safety Act. Due to the fact that the division personnel do not handle money any longer, there is no need for anyone to be bonded.

**7. Strengthen internal controls over equipment. Specifically, implement appropriate procedures to ensure all property is recorded accurately on the property control records and tagged with an identification number. Ensure that a detailed inventory is taken, noting any obsolete or broken items, changes in location, and also ensure all tag numbers are visible and accurate. Finally, remove obsolete or broken items from the inventory records and dispose of those items appropriately.**

**Findings:** The Office did not maintain adequate control over the recording and reporting of equipment.

- Thirty-six of the 112 equipment items selected for physical observation did not agree to agency inventory records.
- Nine of 112 equipment items selected for testing totaling \$13,523 were included on the Office's property control records but could not be physically located.
- Two of 112 equipment items selected for testing did not appear to be properly maintained.

Office personnel stated that items were not properly maintained and recorded on property records due to several changes in management staff.

**Updated Response:** Implementation underway. The OSFM identified the major weakness causing our equipment finding to be the lack of strict tagging procedures. An internal property marking procedure, based on CMS Administrative Rule, was adopted and published to every employee in June 2005. Additionally, a new property control database was put in place in May 2005 and the OSFM is conducting a repeat inventory at this time to address all the audit recommendations regarding location, condition, and disposal.

**8. Follow financial reporting requirements established by the Office of the State Comptroller for the reporting of depreciation.**



**Accepted - concluded**

**Findings:** The Office incorrectly reported its depreciation of capital assets to the Office of the State Comptroller. The auditors noted the FY04 depreciation on capital assets was understated by \$261,000. The Office reported depreciation on capital assets purchased during FY04, but did not report depreciation on existing capital assets. Office management stated the omission of depreciation on existing capital assets was due to an oversight.

**Updated Response:** Implemented. The Office corrected the depreciation schedule for FY04 and will report depreciation per GASB34 in FY05.

- 9. Strengthen procedures to monitor and pursue collections on delinquent accounts receivable. Specifically, send regular billings for all accounts, refer delinquent accounts to the Comptroller's Offset System, and pursue other collection methods. Monitor listings of accounts receivable regularly to better administer proper collection procedures and minimize the need for write off of receivables, and maintain accurate accounts receivable records. (Repeated-1990)**

**Findings:** The Office did not sufficiently monitor and pursue collections on delinquent accounts receivable. At June 30, 2004, Boiler and Pressure Vessel Safety Inspection receivables consisted of 8,098 accounts totaling \$586,000, of which \$239,000 is past due, and \$143,000 (2,335 accounts) is past due over 180 days. Underground Storage Tank (UST) receivables consisted of 12 accounts totaling \$17,000.

The auditors noted that the formal accounts receivable collection procedures were not adequate to ensure proper collection of fees due to either the Underground Storage Tank Division and the Boiler or the Pressure Vessel Safety Division. Office procedures required sending an initial invoice, as well as a second notice 60-90 days later. However, the Office had no formal procedures to further pursue collection on past due accounts receivables. No referrals were made to the Comptroller's Offset System.

After February 2003, no invoices were generated in the Underground Storage Tank Division. Further, the Office did not timely post write-offs, payments or adjustments to the accounts receivable system in the Underground Storage Tank Division.

Office management stated that the weaknesses noted were primarily due to a shortage of staff.

**Response:** Accepted. The Office will investigate the use of the Comptroller and/or the Attorney General for collections.

**Updated Response:** The OSFM is planning an aggressive attack on accounts receivable in two phases: collection or write off of delinquent accounts and tightening up collection methods. This attack will include use of Comptroller's Offset when FEIN/SSN can be

## **REVIEW: 4223**

obtained. The accounts receivable methods as a whole, from transaction to payment are under study for improving efficiency, compliance, and effectiveness.

### **Emergency Purchases**

The Illinois Purchasing Act (30 ILCS 505/1) states, "The principle of competitive bidding and economical procurement practices shall be applicable to all purchases and contracts..." The law also recognizes that there will be emergency situations when it will be impossible to conduct bidding. It provides a general exemption for emergencies "involving public health, public safety, or where immediate expenditure is necessary for repairs to State property in order to protect against further loss of or damage ... prevent or minimize serious disruption in State services or to insure the integrity of State records. The Chief procurement officer may promulgate rules extending the circumstances by which a purchasing agency may make 'quick purchases', including but not limited to items available at a discount for a limited period of time."

State agencies are required to file an affidavit with the Auditor General for emergency procurements that are an exception to the competitive bidding requirements per the Illinois Purchasing Act. The affidavit is to set forth the circumstance requiring the emergency purchase. The Commission receives quarterly reports of all emergency purchases from the Office of the Auditor General. The Legislative Audit Commission is directed to review the purchases and to comment on abuses of the exemption.

During both FY03 and FY04 the Office of the State Fire Marshal did not file any affidavits for emergency purchases.

### **Headquarters Designations**

The State Finance Act requires all State agencies to make semiannual headquarters reports to the Legislative Audit Commission. Each State agency is required to file reports of all of its officers and employees for whom official headquarters have been designated at any location other than that at which their official duties require them to spend the largest part of their working time.

The Office of the State Fire Marshal indicated July 2004 that 65 employees were assigned to locations other than official headquarters.